

**THE METROHEALTH SYSTEM
BOARD OF TRUSTEES
FINANCE COMMITTEE
REGULAR MEETING MINUTES**

DATE: Tuesday, April 18, 2018

TIME: 8:00 to 10:00 am

PLACE: MetroHealth Medical Center
K107, Business Services Building

COMMITTEE TRUSTEES: Mr. McDonald and Dr. Silvers

ADDITIONAL TRUSTEES: Ms. Dec

STAFF: B. Boulanger, M.D., A. Boutros, M.D., N. Chehade, M.D., G. Himes,
J. Kerkay, M. Phillips, J. Platten, C. Richmond, M. Stern

GUESTS:

Dr. Silvers called the regular meeting of the Finance Committee to order at 8:03 am. Please note the minutes are written to conform to the printed agenda and are not necessarily in the order of discussion.

- I. The minutes of the regular meeting held on January 17, 2018 were approved as presented.

II. INFORMATION ITEMS

Craig Richmond, Executive Vice President and Chief Financial Officer provided an overview of the First Quarter 2018 Unaudited Financial and Operational Results. Mr. Richmond reported that Adjusted Earnings before Interest, Depreciation and Amortization ("EBIDA") for the three months ended March 31, 2018 was \$19.9 million, an increase of \$2.9 million or 16.9 percent over the same period in 2017 which had an EBIDA of \$17.0 million. EBIDA increase was mainly attributed to growth from emergency department volumes, patient acuity, improved payor mix, expanded pharmacy operations, and lower liability insurance costs.

Mr. Richmond further reported that total operating income for the first quarter of 2018 was \$5.3 million, compared with operating income of \$3.4 million in the same period of 2017, an increase of \$1.9 million or 56.4 percent.

During the first quarter of 2018, total operating revenue was \$287.2 million as compared to first quarter of 2017 of \$270.8 million – an increase of 6.1 percent. The revenue growth was attributable to both an increase in net patient service revenue of \$9.8 million or 4.2 percent and an increase in other operating revenue of \$6.6 million or 18.7 percent mainly driven by growth in retail and contract pharmacy operations. The System showed continued growth in the acuity of its business with the overall case mix index reported at 1.68 for the first quarter of 2018 as compared to 1.58 for the same period in 2017. Key drivers of the increased net patient revenue include modest improvement in payor mix, higher overall acuity of cases, and generally higher volume.

Mr. Richmond noted the System recorded total operating expenses of \$281.8 million for the first quarter of 2018 as compared to \$267.3 million for the same period in 2017, which is an increase of

\$14.5 million or 5.4 percent, comparing favorably to the total operating revenue increase of \$16.4 million. Most of the increase was in salary, wages and benefits for additional staff to accommodate volume growth and pharmacy costs associated with the retail pharmacy expansion.

Mr. Richmond proceeded with reviewing the Statement of Net Position as of March 31, 2018 compared to December 31, 2017. Areas of note were (i) \$6.8 million increase in net patient accounts receivable which was attributed to an increase in the average net patient service revenue per day, (ii) restricted assets under bond indenture agreement decreased \$23.1 million due to interest payments, and (iii) net capital assets increased \$14.7 million due to costs associated with the View Road parking garage and transformation planning/design services. Total liabilities decreased by \$4.6 million which was mainly due to the timing of payments for contribution payable, interest payable and professional liability claims settlement.

Mr. Richmond reviewed Unrestricted Cash and Investment balances, noting that the first quarter of 2018 remained relatively flat when compared to December 31, 2017. Regarding MetroHealth's bond covenants and rating agency median ratios, Jeff Kerkay, Treasurer shared that the System's bond covenants (days cash on hand and minimum debt service coverage ratio) are within compliance. Lastly, the Advisory Board Credit Rating Strength Diagnostic Tool was reviewed which measures the system's financial metrics against benchmarks derived from hospital medians of the major credit rating agencies.

Bernard Boulanger, M.D., Executive Vice President and Chief Clinical Officer provided an overview of the Utilization Metrics for first quarter of 2018 comparing to the same period in 2017. Inpatient discharges were slightly down; however, both the Medicare and total facility case mix index (CMI) were significantly up due to patient acuity. Equivalent admissions had increased (adjusts for outpatient volumes), surgical volumes continued to show growth due to outpatient cases over prior year, as well as emergency department visits and observation cases.

Michael Stern, Executive Vice President and Chief Operating Officer provided an overview of the Access Metrics and discussed Slot Utilization which continues to increase, Network Service Center (NSC) metrics have gone down slightly due to a recent location move, but are expected to improve. Ambulatory Network and Hospital Patient Experience metrics had slightly increased and decreased respectively compared to the same period in 2017. Dr. Boulanger reviewed the Productivity statistics with emphasis on the work relative value units (RVUs) which is a measurement of provider productivity increased. Geoff Himes, Vice President of Finance concluded with a review of the Capital Structure Ratios, Working Capital Ratios, and the Expense and Revenue metrics.

Mr. Richmond and Jeff Kerkay provided an update and overview of the MetroHealth Investment Policy and Implementation Strategy. Discussion proceeded around the process outlined by Hartland, MetroHealth's Investment Advisor, for the investment of the System's Qualifying Funds in accordance with the Ohio Revised Code and the proposed implementation approach.

Mr. Himes provided a review and update of GASB Statement No. 75 – Accounting and Financial Reporting for Other Postemployment Benefits (OPEB). The System is required to implement the provisions of the Statement for fiscal year end December 31, 2018. Recognition of the standard is similar to GASB 68, recorded annually using the results from the OPERS actuary reports.

III. NON-CONSENT/ACTION ITEMS

A. There are no items to report at this time.

IV. CONSENT ITEMS

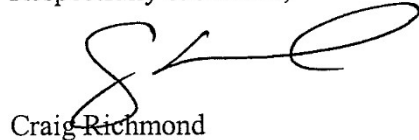
A. A Recommendation for Approval of an Investment Policy for The MetroHealth System

The Committee unanimously approved the recommendation for full Board action.

At this point in the meeting a motion was made, seconded and passed to move the Committee into Executive Session to discuss trade secrets and litigation matters. The Committee returned to regular session at 9:41 a.m.

There being no further business to bring before the Committee, the meeting was adjourned at 9:49 a.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Craig Richmond', with a stylized, flowing script.

Craig Richmond
Executive Vice President and
Chief Financial Officer